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EXPORT UPDATE

by DAVID I. VERWAY, *Director, Bureau of Business Research, School of Business Administration, Wayne State University*

The number of Michigan jobs directly and indirectly related to the export of manufactured products totaled 237,000 during 1980, according to the most recent export origin report released by the Bureau of the Census. This figure represents 6.6 percent of total Michigan civilian employment in that year. Using this percentage as an index of dependence on manufactured exports, Michigan was tied for fourth place with Ohio. The leaders were Rhode Island (7.5 percent), Connecticut (7.2 percent), and Washington (6.7 percent). Nationwide, 4,778,900 jobs, or 5 percent of civilian employment, resulted from exports of manufactured products.

Comparison of data with the previous such survey reveals that between 1977 and 1980 Michigan's civilian employment related to manufactured exports increased by about 19 percent in the face of a 1 percent decline in total civilian employment. In other words, our export dependence increased; without exports, employment would have declined even more. As the figures in Table 1 show, export employment in this state increased in all the major manufacturing industry groupings except rubber and plastics.

Also conspicuous in these data is Michigan's failure to maintain its share of the United States export total in several important categories. Much of our declining share of United States manufactured exports can be attributed to the depressed automotive industry, causing a slump in vehicle and component exports to Canada. The drop in two categories, however, cannot be attributed to vehicle trade with Canada, namely, machinery and furniture and fixtures. While the data are far from perfect, they do suggest that Michigan's competitive edge has been dulled in these categories of exports.

DIRECT EXPORTS

During spring 1981, all manufacturing establishments with 250 or more employees and selected establishments with fewer than 250 were asked by the Bureau of the Census to report the value of their direct exports to other countries during the previous year. Direct exports are products sent directly from the plant to another country or those known to have been exported, without further processing, through a broker or another intermediary. Because a vast number of small establishments did not have to report, the figures are well below the known volume of exports tabulated from shippers' export declarations. Also, a sizable volume of exporting occurs without the producer's knowledge. Northern hardwood, for example, might go by truck or rail to Minneapolis, then to New Orleans by barge, and finally to Japan by ship.

The purpose of the survey was to develop estimates of the geographic origin of total manufactured exports. The results of the census survey of establishments were used to estimate United States export figures by state and by industry. Also, the results were adjusted to represent the value of the shipment at the plant, before transportation and other costs of getting it to the United States border were added.

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TABLE 1
Michigan's Civilian Employment Related to Manufactured Exports: 1977 and 1980

Industry group	Michigan manufactured, export-related employment (000)		Michigan manufactured, export-related employment as a percent of employment		Michigan manufactured, export related employment as a percent of U.S. manufactured export-related employment	
	1977	1980	1977	1980	1977	1980
Manufacturing industries						
Food and kindred products	1.4	1.5	3.0	3.3	2	2
Textile mill products	.2	.3	7.6	9.9	—	—
Apparel, other textile products	1.7	6.9	6.6	37.0	6	7
Lumber and wood products	1.1	1.2	7.3	8.5	2	2
Furniture and fixtures	.6	.6	2.7	2.6	7	5
Paper and allied products	1.5	1.9	6.4	8.4	3	3
Printing and publishing	.4	.9	1.1	2.3	2	1
Chemical and allied products	5.4	6.0	15.9	19.3	4	4
Rubber, miscellaneous plastics products	2.9	2.6	8.1	10.1	5	3
Stone, clay, glass products	1.9	2.0	9.4	11.1	5	4
Primary metal industries	13.3	13.5	16.0	19.6	8	6
Fabricated metal products	19.9	21.1	13.9	17.7	12	10
Machinery, except electrical	21.8	26.7	14.9	17.4	6	5
Electric, electronic equipment	4.0	4.9	11.7	14.0	2	1
Transportation equipment	39.4	40.1	12.2	15.9	16	13
Instruments, related products	1.6	2.5	13.7	19.6	2	2
Miscellaneous manufacturing industries	.5	2.3	5.5	21.6	2	2
Central administration offices, auxiliary	14.3	22.3	13.6	17.6	12	12
Total manufacturing	132.7	158.1	11.9	15.5	7	6
Nonmanufacturing industries						
Trade	16.7	23.1	2.4	3.1	3	3
Business services	14.4	17.0	17.7	18.6	7	6
Transportation, communication, and utilities	12.4	15.6	8.2	10.2	7	6
Other[1]	18.3	23.2	1.2	1.4	5	4
Grand total[2]	194.5	237.0	5.3	6.6	6	5

SOURCE: Bureau of the Census, *1980 Annual Survey of Manufactures, Origin of Exports of Manufactured Products,* (Washington, D.C.: 1982), M80 (AS)-6 and similar document for 1977.
1. Includes construction, mining, and agriculture, as well as government and other services.
2. Civilian employment is defined here as the sum of manufacturing employment estimates from the *Annual Survey of Manufacturers* and nonmanufacturing employment from the current population survey. The figures are less than those developed by the Michigan Employment Security Commission but are utilized here because of their consistency with export-related employment and with export dependency figures for other states.

More than $16 billion in direct exports originated in California. Michigan was sixth with $8.8 billion. Michigan and Ohio capture a large share of the Canadian market for cars and trucks, as well as components for motor vehicles. The Canadian automobile agreement (Automotive Products Trade Act of 1965) allows producers to ship parts and completed vehicles between the two countries without duties and other trade restrictions, although there are some controls. For example, Chrysler Corporation assembles all of its large, rear-driven passenger cars in Windsor, irrespective of where they are sold; parts for these vehicles are fabricated in both countries. Largely because of the agreement, about two-fifths of U.S. exports of motor vehicles and parts were shipped from Michigan plants. These represent two-thirds of Michigan exports. Other significant Michigan direct exports include construction, industrial, and farm and garden machinery; pharmaceuticals; large home appliances; and meat products.

SUPPORTING MANUFACTURED EXPORTS

Indirect manufactured exports include components, parts, and supplies that are made in other plants and incorporated into the products of plants which actually export. These supporting or embodied exports were evaluated by means of an input-output matrix, a set of equations designed to measure, among other things, how much every other industry must produce to enable any one industry to export what it does. After making these calculations for each industry, the Bureau of the Census allocated the figures among the states based on each state's share of U.S. production that was not exported.

In value of embodied exports in the 1980 ranking, Texas was first with $9.3 billion; California was second with $8.6 billion; Ohio was third with $7.8 billion; Pennsylvania was fourth with $7.4 billion; Illinois was fifth with $6.7 billion; New York was sixth with $6.0 billion; and Michigan was seventh with $5.4 billion. In 1977, the previous such tally by the Bureau of the Census, Michigan was second behind California.

JOB CREATION

Estimates of the number of factory jobs generated by manufactured exports were developed on the assumption that the percentage of jobs so created was the same as exports' percentage of total factory shipments. For Michigan, the number of such jobs was 158,100 or 15.5

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Michigan's Essential Insurance and No-Fault Laws: A Critique

by TOM DOWNS

Note: This article was written in response to the article written by Thomas L. Wenck which appeared in the July-August 1982 issue of *The Michigan Economy*. Tom Downs is an attorney with the firm of Downs, Zagaroli and Downs, P.C., Lansing, Michigan. He has been a member of the National Conference of Commissioners on Uniform State Laws since 1969 and is past chairman of its committee on no-fault insurance.

An examination of Thomas Wenck's article could well start with an analysis of why Michigan adopted the No-Fault Automobile Insurance Law and later the Michigan Essential Insurance Act. This requires a brief historical analysis of Michigan tort law before the no-fault law was adopted.

Under pure tort law, a person would only collect for injuries caused by another, if there was no negligence on the part of the individual trying to collect. This meant that if two automobiles were in an accident, only one driver could collect, because both could not be totally free from fault. Therefore, one driver had to suffer the economic loss himself.

The old-fashioned tort paid benefits in one lump sum—often in a jury trial years after the accident. The settlement paid for hospital and medical costs incurred and for wages lost up to the time of settlement. But those payments could be made two or more years after the accident. The payments made in the settlement for future economic losses would be inaccurate in amount since no one can anticipate exactly what future medical and other economic losses would be.

Extensive studies have shown that in the tort system the tendency was for underpayment for serious losses and overpayment for minor losses, with the greatest economic hardship on low and middle income families.[1] Low income groups, for reasons of economic necessity, needed to make settlements in order to receive money for daily living expenses. Probably the worst criticism of the tort system was that it was counterrehabilitative. The injured person, waiting for a settlement, would only too often have the aches and pains increase as the person read about large awards given to others that he knew were not hurt as badly. Preoccupation was with settlement rather than with getting back into the economic mainstream. This problem was best stated by John C. Nemiah, M.D., in "Psychological Aspects of the Injured," *Trial Magazine*, March-April 1971.

> It should be appreciated by all concerned that the adversary nature of a tort or compensation action subsequent to injury heightens the patient's sense of grievance, entitlement to redress, and revenge—which tends to foster his aggressive drives and to shift his attention away from goals or rehabilitation and eventual regained independence. . . . Finally, it should be recognized that the delays so frequently encountered in settling personal injury litigation tend to keep the patient trapped for months, even years, in a limbo of indecision and idleness in which dependency needs are fostered. During this time it frequently becomes so pointless to try to work toward rehabilitation that, practically, the patient remains an invalid until legal elements emanating from his injury are resolved.

One advantage of Michigan's no-fault system is that injured persons have their medical costs and most of their wage loss taken care of as those costs occur. Rehabilitation is encouraged and paid for as soon as possible after the accident thereby assuring better results and cutting costs. In the nine week trial of the *Shavers*[2] case, many witnesses testified that first payments were made days after an injury was reported, instead of after a long waiting period. Apparently Mr. Wenck is very concerned that medical costs be paid in full and wage losses indexed. Would he prefer a system where the seriously injured would be told that only part of the wage loss or only part of the medical costs were taken care of?

The Essential Insurance Act did eliminate an insurance problem common before the legislation was adopted. Subjective underwriting, the establishing of rates based on factors such as appearance, has been eliminated. Rates are established for classes of risk, filed with the Insurance Bureau, and must be adhered to by insurance companies.

Neither the No-Fault Automobile Insurance Law nor the the Essential Insurance Act set the premiums to be charged by insurance companies. Companies may file rates with the Insurance Bureau, wait for approval, then charge customers the approved rate. Or an insurance company may file rates with the bureau and notify a customer at the same time that rates will change after a set period of time, say thirty days. Under this "file and use" system, the customer's money is refunded if the rate is not approved. Insurance Bureau data indicates that the consumer pays slightly lower rates under "file and use" as compared to "prior approval" of rates.

The question of classification can have philosophical and practical arguments which go on forever. An actuary can show that certain classifications are more likely to have accidents than others. The individual involved may respond that using averages is comparable to the person with his head in the oven and his feet in the refrigerator, who on the average was quite comfortable. The difficult question here is into how many categories can people be divided. Theoretically there could be one insurance rate for everybody, or such a refinement of classifications that there was a different rate for each insured. Michigan law and practice attempts a classification that is a balance between those two extremes.

Another superficial analysis by Mr. Wenck is his comment on removing vehicular property damage from tort liability. There are arguments on both sides of this

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Michigan Economic Indicators

Item	Year previous of latest month	Previous month	Latest month
Manufacturing workers:			
Average weekly hours, Michigan	40.3	41.6	40.7 (July)
Average weekly hours, U.S.	39.6	39.3	38.9 (July)
Average hourly earnings, Michigan ($)	10.52	11.42	11.41 (July)
Average hourly earnings, U.S. ($)	8.02	8.50	8.55 (July)
U.S. motor vehicle production (units)	637,495	779,590	609,594 (July)
Michigan electricity usage (mil. kwh.):			
Industrial (mil. kwh.)	2,644	2,445	2,348 (April)
Residential (mil. kwh.)	1,663	1,813	1,709 (April)
Raw steel production:			
Michigan (000 net tons)	792	570	597 (July)
United States (000 net tons)	10,159	6,050	5,719 (July)
Consumer price index (1967 = 100)			
Detroit area	283.1	289.1	292.4 (July)
United States	274.4	290.6	292.2 (July)
U.S. producer price index (1967 = 100)	296.0	299.4	300.6 (July)
Michigan farm prices received index (1977 = 100)	131	127	120 (Aug.)

Sources: U.S. Bureau of the Census; U.S. Bureau of Labor Statistics; Michigan Crop Reporting Service; Motor Vehicle Manufacturers Association, Inc.; American Iron and Steel Institute; and Energy Information Administration.

Contracts for Future Building, First 7 Months: 1981 and 1982

(Thousands of Dollars)

Area	Nonresidential 1981	Nonresidential 1982	Nonresidential Percentage Change	Residential 1981	Residential 1982	Residential Percentage Change	Total[a] 1981	Total[a] 1982	Total[a] Percentage Change
Ann Arbor	38,784	41,937	+ 8	22,269	11,349	−49	61,053	53,286	−13
Battle Creek	13,251	18,256	+ 38	9,793	5,950	−39	23,044	24,206	+ 5
Bay City	7,851	5,280	− 33	4,065	5,695	+40	11,916	10,975	− 8
Detroit	510,629	240,227	− 53	230,865	136,559	−41	741,494	376,786	−49
Flint	24,548	12,512	− 49	21,432	18,064	−16	45,980	30,576	−34
Grand Rapids	41,169	37,654	− 9	74,987	47,068	−37	116,156	84,722	−27
Jackson	11,443	4,878	− 57	11,182	4,491	−60	22,625	9,369	−59
Kalamazoo-Portage	27,908	61,965	+122	46,775	18,848	−60	74,683	80,813	+ 8
Lansing-East Lansing	32,186	16,618	− 48	72,951	20,955	−71	105,137	37,573	−64
Muskegon-Norton Shores-Muskegon Heights	7,306	9,390	+ 29	16,542	10,195	−38	23,848	19,585	−18
Saginaw	8,042	15,085	+ 88	16,784	7,366	−56	24,826	22,451	−10
Toledo	116,610	56,842	− 51	99,133	46,083	−54	215,743	102,925	−52
Michigan	849,709	533,970	− 37	735,070	443,957	−40	1,584,779	977,927	−38
United States	34,840,400	32,002,300	− 8	38,485,400	30,831,400	−20	73,325,800	62,833,700	−14

SOURCE: F. W. Dodge Division of McGraw-Hill Information Systems Company, news releases.

Note: Battle Creek includes Barry and Calhoun counties; Detroit includes Lapeer, Livingston, Macomb, Oakland, St. Clair, and Wayne counties; Flint includes Genesee and Shiawassee counties; Grand Rapids includes Kent and Ottawa counties; Kalamazoo-Portage includes Kalamazoo and Van Buren counties; Lansing-East Lansing includes Clinton, Eaton, Ingham, and Ionia counties; Muskegon-Norton Shores-Muskegon Heights includes Muskegon and Oceana counties; and Toledo includes Monroe County, Michigan, and Fulton, Lucas, Ottawa, and Wood counties, Ohio.

a. Excludes nonbuilding construction contracts. This category comprises streets and highways, bridges, dams, reservoirs, river and harbor developments, sewerage and water supply systems, missile and space flight facilities, airports, utilities, and communication systems. For Michigan the 1981 and 1982 figures for nonbuilding construction contracts were $561,171,000 and $357,470,000 respectively, or a decrease of 36 percent. For the United States they were $19,965,400,000 and $20,514,800,000 respectively or an increase of 3 percent. Total building and nonbuilding construction contracts declined by 38 percent in Michigan and 11 percent nationwide.

Year-to-Year Change in Selected Economic Indicators

Indicator	Percentage change from previous year												
	1981						1982						
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
Civilian Employment													
United States	+ 1.9	+ 1.9	+ 1.1	+ 1.0	+ 0.7	0	− 0.3	− 0.5	− 0.9	− 1.5	− 0.9	− 0.7	− 1.1
Michigan	+ 3.8	+ 2.8	+ 1.7	+ 1.9	+ 1.4	− 2.5	− 2.1	− 1.0	− 3.4	− 5.0	− 3.5	− 5.0	− 3.0
Detroit area SMSA[a]	+ 2.4	+ 1.2	+ 0.8	+ 0.6	+ 0.6	− 3.7	− 3.0	− 2.2	− 4.3	− 5.8	− 4.2	− 5.8	− 4.1
Outstate[b]	+ 5.1	+ 4.2	+ 2.5	+ 2.9	+ 2.1	− 1.5	− 1.3	− 0.1	− 2.7	− 4.4	− 2.9	− 4.4	− 2.1
Wage and Salary Jobs[c]													
United States	+ 1.9	+ 1.5	+ 1.4	+ 1.1	+ 0.5	− 0.1	− 0.5	− 0.5	− 0.8	− 1.1	− 1.1	− 1.4	− 1.7
Michigan	+ 0.3	− 0.7	+ 0.3	− 1.9	− 2.9	− 4.3	− 4.4	− 4.0	− 4.5	− 5.4	− 5.1	− 5.0	− 5.1
Detroit area SMSA[a]	− 0.6	− 1.6	− 0.7	− 2.6	− 3.5	− 5.0	− 4.7	− 4.7	− 4.8	− 5.7	− 5.5	− 6.0	− 5.3
Outstate[b]	+ 1.2	+ 0.1	+ 1.2	− 1.2	− 2.3	− 3.6	− 4.1	− 3.3	− 4.1	− 5.1	− 4.8	− 4.1	− 4.9
Average Workweek[d]													
United States	+ 2.1	+ 1.3	− 0.8	− 0.3	− 1.2	− 2.2	− 7.0	− 0.8	− 2.0	− 2.5	− 2.7	− 2.5	− 1.8
Michigan	+ 3.3	+ 3.0	− 3.5	− 1.5	− 2.7	− 4.3	−10.5	+ 2.3	− 2.9	− 1.0	− 2.2	− 0.5	+ 1.0
Average Weekly Earnings[e]													
United States	+12.3	+11.2	+ 9.0	+ 8.5	+ 6.6	+ 5.0	+ 1.3	+ 6.8	+ 5.0	+ 4.2	+ 3.8	+ 4.1	+ 4.7
Michigan	+14.7	+15.0	+ 6.9	+ 7.5	+ 5.9	+ 2.7	+ 1.9	+11.0	+ 5.2	+ 7.2	+ 5.6	+ 7.4	+ 9.6
Motor Vehicle Assembly													
United States	+25.6	+25.4	−12.4	−18.4	−24.6	−24.2	−33.1	−23.7	−15.7	−16.2	−14.3	−12.7	− 3.5
Michigan	+73.9	+53.5	+ 7.3	− 3.5	−13.6	−20.4	−19.4	− 8.3	− 6.9	− 4.3	− 6.9	− 4.8	+ 4.4
General Motors	+45.5	+29.8	+ 7.5	+ 4.3	− 6.2	− 9.7	−16.3	+ 3.1	−12.3	−12.1	−14.4	+ 1.3	+15.6
Ford	+99.9	+59.3	+14.1	−10.5	−30.7	−53.7	−46.0	−19.5	+ 9.2	+16.8	+19.5	− 6.6	− 1.0
Chrysler	+711.6	+255.6	− 9.9	−22.8	−11.8	−12.7	+20.2	−44.5	− 6.8	− 0.8	−13.5	−30.0	−43.6
Steel Tonnage Poured													
United States	+49.5	+44.2	+23.8	− 4.7	−20.8	−24.6	−26.9	−28.4	−31.5	−37.9	−41.3	−42.1	−43.7
Michigan	+81.2	+75.7	+25.3	−21.4	−22.4	−13.3	−35.1	−35.8	−34.2	−25.8	−21.7	−23.3	−24.6
Commercial Electricity Consumption													
United States	+ 5.1	+ 0.3	- 0.3	+ 1.7	+ 2.1	+ 2.3	+ 4.0	+ 5.1	+ 5.5	+ 5.6			
Michigan	+ 4.5	+ 1.1	− 0.2	− 1.9	− 2.6	0	− 2.8	+ 4.0	− 0.8	+ 1.9			
Industrial Electricity Consumption													
United States	+ 9.4	+ 6.9	+ 2.0	− 0.4	− 2.2	− 6.4	− 6.2	− 6.9	− 6.0	− 7.9			
Michigan	+13.2	+ 8.1	− 0.8	− 9.7	− 7.6	−19.4	−10.7	−17.2	− 9.6	−11.2			
Nonresidential Construction Contracts													
United States										−16	−15	+10	−10
Michigan	−33	+16	−11	−38	−76	−52	−24	−52	−14	−55	−62	+30	−37
Residential Construction Contracts													
United States										−15	−29	− 5	−12
Michigan	−22	−40	−36	−47	−60	−53	−44	−58	−47	−42	−36	−29	−40
Nonbuilding Construction													
United States										+ 8	+ 5	+ 8	+ 7
Michigan	− 9	− 3	+32	− 8	−17	+ 9	+ 7	−52	−37	−72	− 1	−23	−36
Retail Sales													
United States	+11.1	+ 9.5	+10.9	+ 6.3	+ 4.7	+ 5.7	+ 0.2	+ 2.7	+ 2.6	+ 2.6	+ 3.8	+ 1.1	
Michigan	+ 5.4	+ 5.4	+ 7.3	+ 1.3	+ 0	+ 0.5	−11.2	− 6.3	− 5.7	− 5.3	+ 0.3	− 4.2	
Detroit Area[a]	+ 3.6	+ 2.3	+ 4.3	− 1.6	− 2.6	− 3.9	−17.2	−13.6	−14.3	−14.6	− 8.3	− 9.7	
Outstate[b]	+ 7.3	+ 8.8	+10.5	+ 4.9	+ 2.9	+ 5.7	− 4.2	+ 2.2	+ 4.2	+ 5.7	+ 9.9	+ 1.2	
Consumer Price Index													
United States	+10.7	+10.9	+11.0	+10.2	+ 9.6	+ 8.9	+ 8.4	+ 7.7	+ 6.8	+ 6.6	+ 6.7	+ 7.1	+ 6.3
Detroit[a]	+11.6	+11.1	+ 9.5	+ 6.5	+ 5.0	+ 3.2	+ 4.6	+ 2.8	+ 3.7	+ 4.1	+ 3.9	+ 3.1	+ 3.3

Source: Michigan Employment Security Commission, special release; Bureau of Labor Statistics, *The Employment Situation* (monthly); Motor Vehicle Manufacturers Association, special release; American Iron and Steel Institute, special release; Energy Information Administration, special release; F. W. Dodge Division of McGraw-Hill Information Systems Company, news releases (monthly); and Bureau of the Census, *Monthly Retail Trade*.

a. Wayne, Oakland, Macomb, Livingston, Lapeer, and St. Clair counties.
b. Michigan minus Detroit area.
c. The number of wage and salary jobs, except agricultural, reported by employers.
d. Average hours worked by manufacturing production workers.
e. Average earnings among manufacturing production workers.

MICHIGAN'S ESSENTIAL INSURANCE AND NO-FAULT LAWS: A CRITIQUE

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question. However, the average individual is better off having the option to insure his own car regardless of the cause of the physical damage than being liable for the possible risk of property damage to another's car. For example, if I have a car worth $2,000, I can decide not to insure it or have a deductible and know that my maximum risk is $2,000. Under the old tort liability system, I could have an undetermined liability dependent on the value of the car involved in an accident with me.

Mr. Wenck constantly uses the word socialism without defining it. A professor at Michigan State University is paid by the taxpayers, which, as implied from his discussion, is socialistic. It wasn't many decades ago that those who advocated free public education were called socialists.

The National Conference of Commissioners on Uniform State Laws (San Francisco, 1972) approved the Uniform Motor Vehicle Accident Reparations Act, commonly called no-fault automobile insurance. The federal Department of Transportation has consistently supported no-fault automobile insurance. The governor of Michigan, a bipartisan majority of legislators, the Insurance Bureau, as well as a large section of insurance companies such as the American Insurance Association, consumers groups, and many labor organizations all supported the passage of Michigan's no-fault law. These well-known supporters of no-fault are not known as socialists trying to undermine the American economy.

Yes, there is room for improvement in Michigan's no-fault and essential insurance laws. Practical experience with any laws develops amendatory improvements. Continued improvement will come about as the insurance industry, consumers' groups, legislators, regulatory bodies and the general public work together towards improvement for the future—not try to revert to the old tort system.

FOOTNOTES

1. See Alfred F. Conrad, *Automobile Accident Costs and Payments: Studies in the Economics of Injury Reparation* (Ann Arbor: University of Michigan Press, 1964); Robert E. Keeton, *Basic Protection for the Traffic Victim* (Boston: Little, Brown and Co., 1965); Jeffrey O'Connell, *Ending Insult to Injury* (Urbana: University of Illinois Press, 1975); Uniform Motor Vehicle Accident Reparations Act, drafted by the National Conference of Commissioners on Uniform State Laws (San Francisco, Cal., 1972).
2. Shavers v. Attorney General, 402 Mich 554 (1978).

EXPORT UPDATE

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percent of all manufacturing employment in the state. Five states were higher: California (314,500), Ohio (199,800), New York (189,100), Pennsylvania (184,400), and Illinois (176,200). Michigan's rank in jobs is below its rank in manufactured exports because of relatively higher output and pay per worker in the automotive sector.

The input-output procedure aiso was used to estimate the requirements from the nonmanufacturing sector of the nation's economy and, from that, the effect on jobs in each state. California was the leader (124,100), followed by New York (92,400), Illinois (80,800), Ohio (78,000), Texas (75,900), Pennsylvania (75,200), and Michigan (61,800). In Michigan, 17,000 of the nonfactory jobs created by manufactured exports were in business services; 23,100 in wholesale and retail trade; 15,600 in transportation, communication, and public utilities; and 23,200 in mining, agriculture, and other industries (See Table 1).

DEVELOPMENTS SINCE 1980

When 1981 export origin figures are released in February or March of 1983, they will reveal an increase of at least 8 percent in the dollar value of motor vehicle exports from Michigan, primarily a result of shipments of passenger cars and light trucks to Canada. Parts exports to Canada will probably have increased at a rate better than 15 percent. Thus, even assuming employment from nonautomotive exports did not change, vehicle exports produced a total export employment gain of 3 percent to a 1981 total of 244,000 jobs.

Export origin data for 1982 will not be collected and tabulated by the census bureau. If these data were available about a year-and-a-half from now, they would reveal a precipitous decline in Michigan's motor vehicle exports and a modest increase in parts exports to Canada. These judgments are based on data from the Motor Vehicle Manufacturers Association in Detroit and the Department of Commerce in Washington. The decline in Michigan's direct and indirect manufactured shipments between 1981 and 1982 was 20 percent, in dollars not adjusted for price inflation. The decline in civilian employment directly and indirectly related to manufactured

TABLE 2

Top Ten States in Value of Export-Related Manufacturers' Shipments: 1980

Value of manufacturers' shipments

State	Direct[a]	Supporting[b]	Total	Percentage[c]
California	16,529.8	8,649.2	25,179.0	14.2
Texas	10,492.1	9,334.8	19,826.9	12.3
Ohio	10,406.4	7,757.7	18,164.1	15.9
Illinois	10,244.5	6,686.5	16,931.0	14.1
New York	9,168.2	5,979.6	15,147.8	13.5
Pennsylvania	7,579.9	7,436.6	15,016.5	13.8
Michigan	8,816.9	5,438.4	14,255.3	15.3
Washington	8,738.3	1,781.2	10,519.5	29.6
Indiana	4,652.6	4,479.5	9,132.1	14.3
New Jersey	4,408.9	3,976.2	8,385.1	12.2
TOTAL U.S.	155,103.3	105,843.3	260,946.6	14.1

SOURCE: Bureau of the Census, *Annual Survey of Manufactures* 1980, *Origin of Exports of Manufactured Products* (Washington, D.C.: 1982), M80 (AS)-6, Table 3a.

a. Includes only the value of manufactured products exported by the producing plants or their agents.

b. Includes components, parts, supplies, and so forth, shipped from other plants and incorporated into the products shipped to other countries by the plants from which the exports originated.

c. Total exports as a percentage of total manufacturers' shipments.

exports was 15 percent or over 35,000 jobs. Michigan's civilian employment related to manufactured exports now stands about 15,000 above the 1977 figure of 194,500. Blame can be placed on the extremely depressed condition of the Canadian economy and sharp inroads being made there by Japanese vehicle manufacturers.

Canada has been a very lucrative market for Michigan since the Canadian automotive agreement was initiated in the mid-1960s. When Canada again prospers—probably not in 1983 but quite likely in 1984—that market very likely will flourish again, although not enough to recoup those 35,000 jobs lost since 1981. Productivity will have raised the output/labor ratio by then. Michigan will have to regain its competitive edge in other industries.

APPENDIX

Automobile production in Canada is dominated by the Canadian subsidiaries or associates of the companies which dominate the industry on this side of the border, so that in substance there is a North American automobile industry. It produces for a North American automobile market characterized by similar taste distributions on both sides of the Canadian-American border.

Until 1965, the United States government levied tariffs of 6.5 percent ad valorum on imported new automobiles and 8.5 percent ad valorum on automobile parts manufactured outside of the country. The Canadian government, in addition to tariffs of 17.5 percent and 25 percent respectively on most vehicles and parts, employed a device known as content requirement on new motor vehicles produced in that country. Vehicle manufacturers whose product embodied a commonwealth-produced value of at least 60 percent were allowed to import certain components, ordinarily subject to tariff, duty free. Meeting this 60 percent requirement also entitled a manufacturer to preferential tariff treatment in other commonwealth countries, enhancing his export potential for vehicles produced in Canada. In other words the content requirement was an inducement for motor vehicle manufacturers in Canada to manufacture or purchase parts locally.

Automobile trade conditions between Canada and the United States were altered radically in 1965. In return for promises of substantial production increases, automobile manufacturers in Canada were given the privilege of duty free importation of motor vehicles and original parts from the United States. The elimination of United States tariffs with respect to motor vehicles and original parts manufactured in Canada gave Canadian producers free access to the American market. As a consequence of the elimination of trade barriers, traffic in these products between our two countries rose from a level of about $700 million in 1964 to nearly $3.3 billion during 1967. The 1981 figure was $22.3 billion. This expansion has enabled manufacturers to integrate their entire North American operation, rationalizing the production of vehicles and parts; the industry has achieved efficiencies in manufacturing that would not have been attainable under pre-1965 conditions.

The agreement pertains to the manufacture and sale of new automobiles and specified other motor vehicles, including most trucks and buses, and original parts for these vehicles. It does not apply to tires and tubes, except those already mounted on an assembled vehicle, or to replacement parts. Furthermore, only certain companies are permitted to import motor vehicles and parts duty free. In Canada, these motor vehicle manufacturers are qualified on the basis of their production records in the base year (August 1, 1963–July 31, 1964). In order to qualify, a producer had to maintain the dollar value of production in the base year as well as his Canadian ratio of production of sales. Independent parts producers must work through one of these qualified manufacturers in order to import duty free parts for subassemblies or other reasons.

The history of United States-Canada automotive trade since the agreement is encapsulated in the following table.

TABLE 3
United States-Canada Trade in Automotive Products: 1964–1982

(millions of U.S. dollars)

	Canadian imports[1]			U.S. imports[2]		
Year	Vehicles	Parts	Total	Vehicles	Parts	Total
1964	57	577	634	22	49	71
1965	142	738	880	88	139	227
1966	356	1,011	1,367	451	360	811
1967	666	1,216	1,882	920	474	1,394
1968	923	1,684	2,607	1,483	783	2,266
1969	976	2,134	3,110	2,097	959	3,056
1970	894	2,019	2,913	2,038	1,080	3,118
1971	1,319	2,448	3,767	2,511	1,481	3,992
1972	1,579	2,866	4,445	2,778	1,795	4,573
1973	2,082	3,552	5,634	3,061	2,172	5,233
1974	2,573	3,980	6,554	3,482	1,997	5,479
1975	3,064	4,409	7,472	3,726	2,008	5,734
1976	3,339	5,550	8,889	4,840	2,983	7,823
1977	3,712	6,434	10,146	5,636	3,496	9,132
1978	3,771	7,080	10,851	6,165	4,160	10,326
1979	4,801	7,344	12,145	5,685	3,831	9,715
1980	3,950	6,478	10,428	5,695	2,888	8,583
1981	4,218	7,700	11,918	6,917	3,462	10,379
1981[3]	1,944	3,088	5,032	2,631	1,405	4,036
1982[3]	1,407	3,429	4,836	3,858	1,520	5,378

SOURCE: U.S. Department of Commerce, special release.
1. Canadian import statistics from U.S., based on FAS or transaction values, converted to U.S. dollars on the basis of then prevailing exchange rates.
2. U.S. imports from Canada are FAS or transaction values as published by the Bureau of the Census.
3. First five months.

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